

m/047/010

LAW OFFICES OF
PILLSBURY MADISON & SUTRO LLP

LOS ANGELES
SAN JOSE
WASHINGTON, D.C.
SAN DIEGO

POST OFFICE BOX 7880
SAN FRANCISCO, CALIFORNIA 94120
TELEPHONE (415) 983-1000
FACSIMILE (415) 983-1200

ORANGE COUNTY
SACRAMENTO
MENLO PARK
TOKYO
HONG KONG
NEW YORK

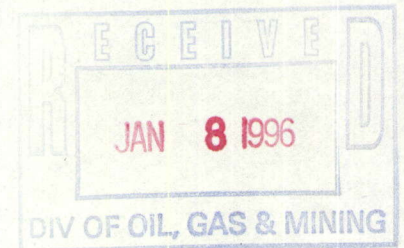
WRITER'S OFFICE AND
DIRECT DIAL NUMBER

225 Bush Street, 94104
(415) 983-7215
Fax: (415) 983-1600

January 2, 1996

VIA FEDERAL EXPRESS

Mr. Clifford O. Doner
Chief Financial Officer
American Gilsonite Company
136 East South Temple Street, Suite 1460
Salt Lake City, Utah 84111



Re: State of Utah Reclamation Surety Bond

Dear Cliff:

As requested, I enclose a revised reclamation surety bond issued to the State of Utah on behalf of American Gilsonite Company by United Pacific Insurance Company. You indicated you would submit the bond to the State Division of Oil, Gas and Mining in substitution for the existing filed bond. Please confirm the date on which the state will approve this substitution and cause the original of the old bond to be returned to me.

Thank you for sending AGC's financial statements and describing the 1996 activities of your insurance broker and counsel. Chevron will evaluate the financial condition of AGC and AGC's efforts to secure a replacement bond to determine whether this bonding arrangement will continue in 1997.

Thanks for your assistance and cooperation. Please call me if you have any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Rob James".

Robert A. James

Enc.

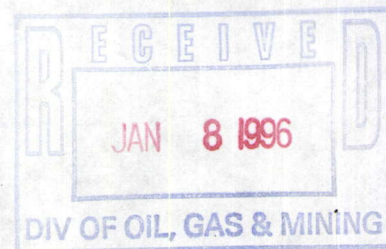
cc: Mr. R. J. Susa (w/encs.)
Oliver W. Gushee, Esq. (w/encs.)

File Number M/047/010

Effective Date 1-24-96

*Contract
replaced 10-1-2002*

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340



RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/0047/010</u>
(Mineral Mined)	<u>Gilsonite</u>
"MINE LOCATION":	
(Name of Mine)	<u>Bonanza Mine Site</u>
(Description)	<u>33 Miles South of Vernal</u>
	<u>Uinta County</u>
	<u>Utah</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>107.2</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>American Gilsonite Company</u>
(Address)	<u>136 East South Temple, Suite 1460</u>
	<u>Salt Lake City, UT 84111</u>
(Phone)	<u>801-524-7900</u>

"OPERATOR'S REGISTERED AGENT":

(Name)

Clifford O. Doner

(Address)

136 East South Temple, Suite 1460
Salt Lake City, UT 84111

(Phone)

801-524-7900

"OPERATOR'S OFFICER(S)":

Roy E. Nelson, CEO

K. Clark Christensen, COO

Clifford O. Doner, CFO

"SURETY":

(Form of Surety - Attachment B)

Surety Bond

United Pacific Insurance Company

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Bond No. _____

"SURETY AMOUNT":

(Escalated Dollars)

\$324,900

"ESCALATION YEAR":

1999

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between American Gilsonite Co. the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/0047/010 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated 12/5/83, and the original Reclamation Plan dated 12/5/83. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as

amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

Clifford O. Doner

Authorized Officer (Typed or Printed)




Authorized Officer's Signature

12-27-95
Date

SO AGREED this 24th day of January, 1996.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY 

Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By

James W. Carter, Director

Date

January 24, 1996

STATE OF

Utah

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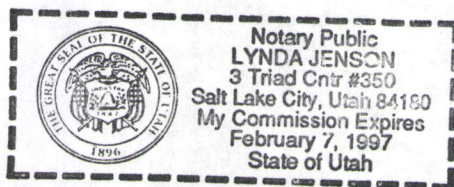
) ss:

COUNTY OF

Salt Lake

)

On the 24th day of January, 19 96, personally
appeared before me, who being duly sworn did say that he/she, the said
James W. Carter is the Director of the Division of
Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she
duly acknowledged to me that he/she executed the foregoing document by
authority of law on behalf of the State of Utah.



Lynda Jenson
Notary Public
Residing at: Salt Lake City

February 7, 1997
My Commission Expires:

OPERATOR:

American Gilsonite Company

Operator Name

By Chief Financial Officer

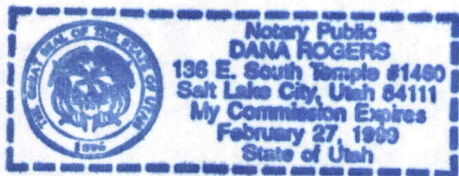
Corporate Officer - Position

12-27-95
Date

Clifford O. Doner
Signature

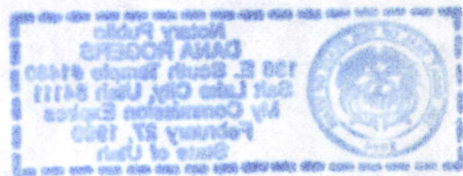
STATE OF UTAH)
COUNTY OF Salt Lake) ss:

On the 27th day of December, 19 95, personally
appeared before me Clifford O. Doner who
being by me duly sworn did say that he/she, the said Clifford O. Doner
is the Chief Financial Officer of American Gilsonite Company
and duly acknowledged that said instrument was signed on behalf of said company
by authority of its bylaws or a resolution of its board of directors and said
Clifford O. Doner duly acknowledged to me that said
company executed the same.



Dana Rogers
Notary Public
Residing at: 579 NE Capital Street
Salt Lake City, Utah 84103

February 27, 1999
My Commission Expires:



ATTACHMENT "A"

American Gilsonite Company
Operator

Bonanza Gilsonite Operation
Mine Name

M/047/010
Permit Number

Uintah County, Utah

The legal description of lands to be disturbed is:

Approximately 107.2 acres within the areas described by
attached pages 4B and 4C, both revised 3/29/89.